# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:1153
ANSWERED ON:24.10.2008
STOCK EXCHANGE FOR SMEs
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**Will the Minister of FINANCE be pleased to state:**

(a) whether the Government proposes to have separate stock exchanges for Small and Medium enterprises(SMEs);

(b) if so,the details thereof;

(c) the parameters drawn for opening of such exchanges;

(d) whether the Government proposes to develop new and effective safeguards to protect the interests of investors in SME stock exchange and have a separate regulator purpose;and

(e) if so,the details thereof?

## Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI P.K. BANSAL)

(a) & (b): SEBI has decided to encourage promotion of exchanges and/or platforms of exchanges for listing and trading of securities issued by SMEs.SEBI has further decided that in the interest of competition,more than one platform may be allowed for this purpose.

(c): Broad parameters for opening of such exchanges as put up in the discussion paper by SEBI include the following:

i. To be listed on the SME exchange/platform of an existing exchange,a company should have a maximum post-issue paid up capital of Rs.25 crore.

ii. The requirements of having net tangible assets of at least Rs 3 crore in each of the preceding three full years,a track record of distributable profits for at least three out of immediately preceding five years and a net worth of at least Rs 1 crore in each of the preceding three years,as per the existing DIP Guidelines,may be relaxed completely for SMEs.

iii. Reporting of unaudited results by the companies listed on the SME Exchange may be on a half yearly basis instead of quarterly basis.

iv. The companies may post their annual reports on their web-sites and the website of the exchange.Physical copies of the same may be provided to the shareholders only on the specific request.The requirement of sending annual reports to all the shareholders may be dispensed with.

v. The companies listed on the SME exchange may be allowed to migrate to the bigger exchanges as and when they meet the listing requirements of the bigger exchanges.

(d) to (e): To ensure that informed,financially sound and well researched investors with a certain risk taking ability participate in such exchange/platform of an existing exchange,the discussion paper prescribes a minimum application size of Rs 1 lakh in the IPO and a minimum trading lot of Rs I lakh in the secondary market.